

# Section 179 Expensing



The One Big Beautiful Bill Act (OBBBA) makes significant enhancements to Section 179 expensing, which creates new opportunities for immediate deductions on business investments. While these changes are a major win at the federal level, Massachusetts conformity remains a serious question for accounting professionals and their clients.

## Federal Changes at a Glance

### Increased Expensing Limits

- Deduction cap raised to \$2.5 million (up from \$1.22M in 2024)
- Phase-out threshold increased to \$5 million (up from \$3.05M in 2024)
- Both thresholds indexed for inflation starting in 2026

This expansion dramatically increases the ability of businesses—including manufacturers, contractors and technology companies—to write off large-scale purchases in a single year.

### Broader Use of Software

Clarifies that cloud-based and SaaS software qualifies as Section 179 property, ensuring that digital infrastructure investments can be immediately deducted.

### Expanded Definition of Qualifying Property

Newly eligible structural building improvements, including:

- Load-bearing walls
- Roofing systems
- Electrical upgrades
- HVAC systems

This broadens prior law, which only allowed limited interior building systems (e.g., fire protection and security systems).

### Effective Date

Applies to property placed in service on or after January 1, 2025.

## What This Means in Practice

- **Flexibility for capital planning:** Businesses can better match tax deductions with cash outflows, easing investment in growth and modernization.
- **Broader industry impact:** From construction firms upgrading facilities to professional service firms investing in SaaS systems, more industries benefit.
- **Cash flow advantages:** Immediate expensing reduces taxable income and increases liquidity, which is especially valuable for small and mid-sized businesses.

### For more information

Contact MassCPAs Government Affairs Manager  
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any questions and to learn about next steps.

